

Subject: Required reports for Port Arthur_Premcor III_2009

Date: Monday, August 13, 2012 12:49 PM

From: Mali Hanley <mhanley@808west.com>

To: Gary Price <Gary.Price@cpa.state.tx.us>

Cc: Jenny Hicks <Jenny.Hicks@cpa.state.tx.us>, Michelle Luera <Michelle.Luera@cpa.state.tx.us>, Daniel Hwang <Daniel.Hwang@cpa.state.tx.us>, <dcasey@moakcasey.com>, Bob Popinski <BPopinski@MoakCasey.com>, Kevin O'Hanlon <kohanlon@808west.com>, <meaves@calvert-eaves.com>, <Russell.Minor@valero.com>

Please accept this letter as a retraction of the letter which was previously sent to the Comptroller's Office on August 16, 2010. The letter purported to be a declaration that the project had been cancelled. The letter was sent in error. The letter was sent after we were informed that construction on the approved project had ceased. We interpreted this to mean that the project had been cancelled. Hence, the August 16 letter to your office. However, the project had not been cancelled, only delayed. We apologize for the error.

Please also find attached a letter of explanation from the company, as well as Form 50-772 for tax years 2009 and 2010 that had not previously been filed.

Thank you,

Amalia Hanley
for Kevin O'Hanlon
O'HANLON, MCCOLLOM & DEMERATH
Attorneys-at-law
808 West Ave.
Austin, Texas 78701

512.494.9949
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CALVERT EAVES CLARKE & STELLY, L.L.P.
ATTORNEYS AT LAW

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August 10, 2012

Via E-Mail

Mr. Kevin O'Hanlon
O'HANLON, MCCOLLOM & DEMERATH
808 West Avenue
Austin, Texas 78701

Re: Valero Port Arthur Expansion Project

Dear Kevin:

As we discussed over the telephone, the Refinery Expansion Project ("the Project") currently being undertaken at The Premcor Refining Group Inc. d/b/a Valero Port Arthur Refinery's ("Valero's") Port Arthur, Texas facility is comprised of the following work:

- Replacement of components of existing Delayed Coker Unit
- Design and construction of a new 50 MBPSD Gas Oil Hydrocracker along with an associated Saturates Gas Plant
- Design and construction of a new 1325 Gallons Per Minute Amine Treatment Unit and a new 900 Gallons Per Minute Sour Water Stripper Unit
- Expansion of the existing Distillate Hydrotreaters by a combined 50 MBPSD
- Modification of the existing Sulfur Recovery Units to increase the sulfur processing capacity by approximately 270 Long Tons Per Day
- Expansion and improvement of the refinery's feed and product logistical systems by building new Crude, Distillate, Gasoline and Intermediate storage/finished product tanks and associated pipelines
- Expansion and improvement of the refinery's utility and infrastructure systems, including but not limited to new electrical power distribution systems, new and expanded process control systems, new and expanded cooling water systems, new and expanded flare systems, and other systems as necessary to support these new facilities

As we previously discussed, Valero was required to postpone the Project after the 2008 Agreement was entered into with the Port Arthur Independent School District, due to various economic and profitability concerns that had developed after the Agreement was entered into. Thereafter, when economic conditions improved, Valero resumed the Project. Valero anticipates that the Project will be completed and production through the new and revamped units commenced in December 2012.

Chapter 313 Annual Eligibility Report Form

**Form 50-772**
(May 2010)

Tax Year covered in this report _____

School district name _____

I&S Tax Rate _____

MMO Tax Rate _____

Project Name _____

Company Name _____

Company Address _____

Company Contact Information _____

NOTE: This form must be completed by an authorized representative of each approved applicant and each entity with property subject to the limitation agreement. It must be submitted to the school district by May 15th of every year using information from the previous tax (calendar) year. For limitation agreements where there are multiple company entities that receive a part of the limitation provided by the agreement: 1) each business entity not having a full interest in the agreement should complete a separate form for their proportionate share of required employment and investment information; and, 2) separately, the school district is required to complete an Annual Eligibility Report that provides for each question in this form a sum of the individual answers from reports submitted by each entity so that there is a cumulative Annual Eligibility Report reflecting the entire agreement.

Texas Taxpayer ID of Applicant _____

Texas Taxpayer ID Reporting Entity (if appropriate) _____

Date of Agreement Approval _____

Original Applicant Name _____

First complete tax year of the qualifying time period _____

Last tax year of the qualifying time period _____

First tax year of the limitation _____

Amount of the limitation at the time of application approval _____

QUALIFIED PROPERTY INFORMATION

Market Value _____

I&S Taxable Value _____

MMO Taxable Value _____

Is the business entity in good standing with respect to Tax Code, Chapter 171?
(Attach printout from Comptroller Web site: <http://www.window.state.tx.us/taxinfo/coasintr.html>) ☐ Yes ☐ NoIs the business entity current on all taxes due to the State of Texas? ☐ Yes ☐ NoIs the business activity of the project an eligible business activity under Section 313.024(b)? ☐ Yes ☐ No

Please identify business activity: _____

What was the application review start date for your application (the date your application was determined to be complete)?
(This question must only be answered for projects with applications approved after June 1, 2010.)

How many new jobs were based on the qualified property in the year covered by this report? (See note on page 3.) _____

What is the number of new jobs required for a project in this school district according to 313.021(2)(A)(iv)(b), 313.051(b), as appropriate? _____

If the applicant requested a waiver of minimum jobs requirement, how many new jobs must the approved applicant create under the waiver? _____

80 percent of New Jobs (0.80 x number of new jobs based on the qualified property in the year covered by this report.) _____

For more information, visit our Web site: www.window.state.tx.us/taxinfo/proptax/hb1200/index.html

(50-772 • 05-10/2)

Chapter 313 Annual Eligibility Report Form

**Form 50-772**
(May 2010)

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For more information, visit our Web site: www.window.state.tx.us/taxinfo/proptax/hb1200/index.html

(50-772 • 05-10/2)

O'HANLON, McCOLLOM & DEMERATH

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COUNSELLOR, LABOR AND EMPLOYMENT
17000 HOURS OF LEAD, SPECIALIZATION
JUSTIN DEMERATH

August 13, 2012

Chapter 313 Office
Local Government Assistance & Economic Development
P.O. Box 13528
AUSTIN, Tex 78711-3528

VIA EMAIL: Chapter313@cpa.state.tx.us

RE: Status update on Agreement between Port Arthur ISD and The Premcor Refining Group, Inc. (Premcor III) dated December 18, 2008

Dear Comptroller Combs,

Please accept this letter as a retraction of the letter which I previously sent to the Comptroller's Office on August 16, 2010. The letter purported to be a declaration that the project had been cancelled. The letter was sent in error. The letter was sent by me after my office was informed that construction on the approved project had ceased. I interpreted this to mean that the project had been cancelled. Hence, the August 16 letter to your office. However, the project had not been cancelled, only delayed. I apologize for the error.

At the current time construction at the site is nearing completion on the project labeled "Refinery Expansion Project" in **EXHIBIT 2** of the December 18, 2008 Agreement. To date, as verified by the attached documentation from the Applicant, the following activities have been completed or are near completion at the site:

- Construction of a new 50 MBPD Hydrocracker Unit
- Construction of a new 25 MBPD Saturate Gas Plant
- Revamping of the existing Sulfur Recovery Units SRU-545 and SRU-546 through the installation of oxygen enrichment equipment to increasing processing capacity